SAN MIGUEL COUNTY PLANNING COMMISSION

PLANNING COMMISSION MEETING AGENDA
THURSDAY, MARCH 10, 2022 – 9:00 AM

MEETING INFORMATION - This meeting will be held online due to the COVID-19 virus. To join the meeting: http://zoom.us/join, Meeting ID: 965 1288 5206, Password: 534277; Audio only: Dial 1-301-715-8692 or 1-253-215-8782 (long-distance rates may apply)

1. **9:00 A.M. CALL TO ORDER**

2. **APPROVAL OF MINUTES, PLANNING COMMISSION AND STAFF COMMENTS**

3. **WORKSESSION:**

Staff Request: Discussion of Affordable Housing matters.

Affordable Housing memo 030922.pdf
BOCC Project Report Affordable Housing Mitigation w.attachments 3.9.22.pdf
Short Term Rentals memo 030922.pdf

ADJOURN
NOTE: All times are approximate; items may begin earlier (except public hearings) or later than scheduled. For more information contact Planning Department at (970) 728-3083.

If special accommodations are necessary per ADA, contact 970-728-3844, via email at bocc@sanmiguelcountyco.gov prior to the meeting.

The official, designate posting place for all meeting notices will be online at https://www.sanmiguelcountyco.gov/liveagenda. Use this link to view the live agenda with any last-minute changes. To be automatically notified, please sign up at www.sanmiguelcountyco.gov, sign up for alerts, and follow the prompts.

AGENDA ITEM

TITLE:

Staff Request: Discussion of Affordable Housing matters.

Presented by:
Time needed:

PREPARED BY:
John Huebner, Planning

RECOMMENDED ACTION/MOTION:

INTRODUCTION/BACKGROUND:

FISCAL IMPACT:

ATTACHMENTS:
Affordable Housing memo 030922.pdf
BOCC Project Report Affordable Housing Mitigation w.attachments 3.9.22.pdf
Short Term Rentals memo 030922.pdf

Description:

M E M O R A N D U M

TO: San Miguel County Board of Commissioners
FROM: Kaye Simonson, AICP, Planning Director
RE: Affordable Housing Matters
DATE: March 9, 2022

A number of topics related to Affordable Housing are scheduled to be discussed today, including:

1. Business ownership of deed-restricted units
2. Affordable Housing Impact Mitigation Fee Update
3. LUC Section 5-1303 Affordable Housing in the Telluride R-1 School District – Mitigation level (LUC Sections 5-1303A-F)
4. ADU Deed Restriction Moratorium on Terminations
5. County policies to create affordable housing opportunities

For reference, past affordable housing studies, reports, and resolutions, as well as the applicable Land Use Code standards, Section 5-13, are available online at https://www.sanmiguelcountyco.gov/490/Other-Resources.

1. Business ownership of deed-restricted units

Employers have approached the County regarding their ability to purchase deed-restricted properties for occupancy by employees of those businesses. With the exception of multi-family and live-work properties, ownership of deed-restricted housing is limited to qualified employees. Exception agreements have been executed to allow the R-1 School District and TSG to own and develop lots in the Two Rivers area, and an exception was approved for two vacant lots to be owned and developed by BIT.

Points to consider include:

- Whether such purchase would result in the displacement of existing employees.
- Whether the purchase is for an existing business with existing employees, or if it is intended for a new business or business expansion that will be generating new employees.
- Businesses may have a financial capacity that cannot be matched by qualified employees, which could result in the latter being priced out of a property.
- The goal is to increase the overall supply of employee housing, without impacting those employees who are also seeking to purchase housing. Purchasing properties (developed or vacant) that are already deed-restricted does not increase the supply. It is simply a shift from one owner to another.
- Business ownership with rental to employees may change the character of a neighborhood; the majority of deed-restricted housing is owner-occupied, with limited rentals.

2. Affordable Housing Impact Mitigation Fee Update

John Huebner has prepared a draft report, "San Miguel County Affordable Housing Fee Methodology," and provided a supporting memo. The report proposes replacing the fee adopted in 2007, which is based on employee generation and the subsidy needed to construct employee housing. We are proposing changing the mitigation fee calculation method to be based on the Market Gap between free-market prices and what employees can afford. In addition to changing the fee methodology, specific questions that need to be answered include:

a. Should the mitigation rate be increased from 37%, and if so, to what percentage; and
b. Should residential development above a certain size be required to provide a deed-restricted accessory dwelling unit or caretaker unit instead of paying the mitigation fee?

3. LUC Section 5-1303 Affordable Housing in the Telluride R-1 School District – Mitigation Level (LUC Sections 5-1303A-F)

The Employment Generation Rates study is used to determine the average number of employees that will needed for a particular type of business or development activity. The data within the report is considered to still be valid, and has been used by other jurisdictions to support their affordable housing mitigation requirements. The "percent mitigation" is the subjective factor, as discussed beginning on the bottom of page 4 of the report. When the employee housing mitigation requirements were adopted, the BOCC at that time settled on a mitigation rate of 15%. The Employee Housing Mitigation Support Study of 2002 notes,

> *Because 30% of the total number of employees generated by San Miguel County's job market are housed in deed restricted housing provided by various jurisdictions in the county, the level of service is 30%. To maintain this number (as a percentage of the total workforce) of employees living in deed restricted housing requires that the all new developments mitigate for 30% of all new employees generated. Again, in other words, if a new business is developed on a vacant piece of land that generates 3 new employees, that business will be required to mitigate (i.e. provide employee housing or cash in lieu) for approximately 1 of those employees.*

The amount of deed-restricted housing has not kept pace with the demand. The workforce has grown faster than housing has been created; home ownership for local residents has declined, rentals have increased, and commuting from adjacent counties has increased even more (see page 25 of the 2018 San Miguel County Housing Needs Assessment; also refer to the Trust for Community Housing's 2019 report, "The Impacts of Affordable Housing on the Telluride Area Economy and Community"). Since 2020, available housing for workers has become even more limited. The Housing Needs Assessment estimated a deficit of 441 units in 2018, and an additional deficit of about 325 units by 2026.

There is relatively little development in San Miguel County that is required to provide mitigation units. The majority of the commercial development is located in the Lawson Hill PUD (including Ilium), which is part of the Affordable Housing PUD; commercial and industrial development is mitigated by the deed-restricted dwelling units within the PUD. Residential subdivisions are also rare. The most recent, instead of dedicating individual lots for affordable housing within the subdivision, have instead dedicated land to the County (Sunnyside Ranch, Mill Creek and Deep Creek Ranch PUDs).

The Town of Telluride has increased mitigation rates for single-family, duplex, multi-family and accommodations uses to 90%. Commercial, hotel and lodging uses are mitigated at a rate of 40%.

5-1303 F. Summary of Impact Mitigation Standards for Affordable Housing

Development Type	Employees Generated	Mitigation Level	Mitigation Required
Office	3/1,000 gsf	15%	1 / 2,250 gsf
Restaurant	3/1,000 gsf	15%	1 / 2,250 gsf
Retail	3/1,000 gsf	15%	1 / 2,250 gsf
Hotel	1.5/unit	15%	0.225 / unit
Ski Area	Year-round & Seasonal	15%	All Seasons
Residential Subdivisions		37%	1 / 3 lots
Multi-unit Projects		37%	1 / 3 units

The BOCC should provide direction regarding whether the mitigation standards should be modified, and suggested targets. There is sufficient data within the 2018 Housing Needs Assessment and other studies to support changing the mitigation levels.

4. Accessory Dwelling Unit (ADU) Deed Restriction Moratorium on Terminations

From 1994 to 2007, property owners constructing a house greater than 5,000 s.f. were required to construct an ADU or Caretaker unit and to record a deed restriction, or to make a payment-in-lieu of $80,000. Owners of smaller houses who voluntarily built ADUs were also required to record a deed restriction. This requirement was eliminated with the adoption of the Affordable Housing Impact Mitigation Fee in 2007. Over the years, property owners have submitted requests to terminate their deed restrictions. If approved by the BOCC, owners have been required to pay the now-current Affordable Housing Impact Mitigation Fee. It should be noted that if the moratorium is allowed to expire, and the Affordable Housing Impact Mitigation Fee is amended as discussed above, the amount paid upon termination would be significantly higher than the current mitigation fee.

In October of 2020, a moratorium on termination of deed restrictions was adopted; the moratorium has been extended and is now set to expire in April, 2022. As part of the moratorium, staff was directed to conduct analysis of the deed restrictions, particularly the status of the units and whether they are occupied by qualified employees. Troy Hangen has prepared a memo on activities to date.

5. County policies to create affordable housing opportunities

- Encourage the use of the CH zone district.
- Seek out properties that may be suited for housing and determine what it would take to acquire them.
- Amend Public and Parks zone districts to allow housing for essential workers.
- In the F zone and on properties greater than 35 acres, where well permits allow 3 dwellings, consider allowing a second caretaker unit, subject to deed-restriction
- Work with water providers to determine capacity, locations that can be served, and where density can be increased.
- Investigate acquisition of water rights that could be used to serve existing and future residents.
- Other ideas?

Attachments:
Land Use Code Policies for Housing, Section 2-29
LUC Section 5-1303 A-F

ARTICLE 2 LAND USE POLICIES

SECTION 2-29: HOUSING

Resident and tourist speculative investment and the utilization of an increasing percentage of the housing stock as short-term accommodations or vacation homes are economic factors contributing to high housing costs and a contraction of the housing stock available for permanent and seasonal residents. Real estate market forces spur developers to create an exclusionary, homogenous, high income, second-home housing market absent of low and moderate income housing opportunities. It is the policy of the County to:

2-2901

Alleviate overcrowding, excessive commuting, and social instability prevalent in the permanent resident community resulting from speculative, second home and tourist influences in the permanent resident housing market;

2-2902

Provide a wider choice of housing alternatives for persons of low or moderate incomes living in the community;

2-2903

Insure that future development alleviates rather than contributes to problems of inadequate housing for persons residing or working within the County;

2-2904

Disapprove those developments that are exclusionary;

2-2905

Assist the private sector in providing new affordable housing throughout San Miguel County, but primarily in the Telluride Region, to reduce the critical shortage of affordable housing;

2-2906

Prepare, adopt and continually update a Housing Action Plan addressing affordable housing;

2-2907

Revise County land use policies and regulations based upon the adoption of the Housing Action Plan and updates to the Plan; and

2-2908

Insure that housing units that are intended to mitigate the impacts of development upon affordable housing are located in the same general area as the development.

2-2909

Insure that all new employee generating development contributes its fair share to the housing of local residents in order to reduce commuting traffic, create social investment and maintain vitality within our community.

2-2910

It is the policy of the County to provide affordable employee housing for persons working in the County. This policy has been reiterated by the Board of County Commissioners and is formally recognized in this Code and by the establishment of the multi-jurisdictional housing authority created by San Miguel County and Towns of Mountain Village and Telluride. Revisions to this Code are necessary to further the goal of the County to provide housing that is affordable to the average person employed in the County so that further degradation of our community character is prevented and that the County continues to be a viable residential community.

San Miguel County has set the following priorities to further the goal of providing affordable housing:

1. Onsite construction of affordable housing units
2. Off-site construction of affordable housing units
3. Dedication of improved lots within a subdivision
4. Dedication of (raw or unimproved) land
5. Conversion of existing free market housing to deed restricted, appreciation Capped units in a manner acceptable to the Board of County Commissioners
6. Payment in-lieu (employee housing Impact Fees), to apply to development that has not otherwise fully mitigated its employee housing impacts.

5-1303 Affordable Housing in the Telluride R-1 School District
To promote affordable housing, impact mitigation shall be required as a condition of approval pursuant to this Code for the following types of development in the Telluride R-1 School District: office, restaurant and retail, hotel, residential and ski area, based on the formulas in this section. In the interest of maintaining fairness and simplicity, all fractions shall be rounded down to the nearest whole number.

5-1303 A. Office, Restaurant, Retail and other Commercial Development

Office, restaurant, retail and other commercial development has been found to generate 3 employees per 1,000 gross square feet (gsf). Developers of these use types shall mitigate 15 percent of this impact based on the amount of gsf approved pursuant to this Code, as follows:

I. Each new office, restaurant and retail development shall be required to build deed-restricted housing for one employee for every 2,250 gsf;

II. No mitigation shall be required for developments of less than 2,250 gsf.

5-1303 B. Hotel Development

The number of employees that need to be housed as impact mitigation for hotel development shall be determined using the following formula (based on the definition of "population density"):

I. Divide the total number of hotel units by two (2) (to get the equivalent number of condominium units);
II. Multiply that number by three (3) (to get the residential density equivalent in number of persons; 3 persons per condominium unit); and

III. Calculate 15 percent of the residential density equivalent (and round down to the nearest whole number) to determine how many employees shall be housed to mitigate 15 percent of the impact of the hotel development.

5-1303 C. Residential Subdivision or Multi-family Development

I. One of every three lots in each new residential Subdivision shall be deed-restricted using the R-1 Housing deed restriction specified in Section 51304 or as approved by the BOCC.
II. One of every three units in each new Multi-family Development shall be deed-restricted using the R-1 Housing deed restriction specified in Section 5-1304 or as approved by the BOCC.
III. Subdivisions that previously mitigated their impacts through the provision of deed restricted lots or cash-in-lieu shall be exempt from further mitigation.

5-1303 D. Ski Area Development

I. Each ski area development that creates new base facilities in San Miguel County shall provide housing for 15 percent of its employees during all seasons; and

II. For each new ski lift added to an existing ski area, the ski area operator shall provide housing for two ski area employees.

5-1303 E. Size, Location and Occupancy of Mitigation Units

Deed restricted housing constructed as affordable housing may be occupied by any person(s) qualifying under the deed restriction established by these County regulations or as approved by the Board of Commissioners. Families may occupy larger units or portions thereof if at least one member of the family qualifies under the deed restriction, and additional occupants also must qualify under the deed restriction.

I. Deed restricted housing constructed as affordable housing impact mitigation shall provide:

a. At least 350 sq. ft. of space and

b. Full living, kitchen and sanitation facilities for each employee required to be housed.

II. Affordable housing units shall be constructed on the site of the primary development, except as allowed by the Board of County Commissioners.

III. Affordable housing units shall be constructed simultaneously with the primary development. In residential subdivisions, the required affordable housing lots platted shall be available to qualified employees at the same time that free market lots are offered for sale.

5-1303 F. Summary of Impact Mitigation Standards for Affordable Housing

Development Type	Employees Generated	Mitigation Level	Mitigation Required
Office	3/1,000 gsf	15%	1 / 2,250 gsf
Restaurant	3/1,000 gsf	15%	1 / 2,250 gsf
Retail	3/1,000 gsf	15%	1 / 2,250 gsf
Hotel	1.5/unit	15%	0.225 / unit
Ski Area	Year-round & Seasonal	15%	All Seasons
Residential Subdivisions		37%	1 / 3 lots
Multi-unit Projects		37%	1 / 3 units

M E M O R A N D U M

TO: San Miguel County Board of County Commissioners
FROM: John Huebner, Senior Planner
RE: Affordable Housing Mitigation: Residential Fee Methodology
DATE: March 9, 2022
[Z:\Applications\2022_BOCC Project Report Affordable Housing Mitigation]

Background

The 2018 San Miguel County Housing Needs Assessment stated that the need for additional community housing is critical. At the time of the study, there was an estimated shortage of 441 units, and a projected shortage of an additional 325 units by 2026. The Trust for Community Housing's 2019 report, The Impacts of Workforce Housing on the Telluride Area Economy and Community, identified the importance of deed-restricted housing for retaining essential workers, emergency service workers and those who support the local economy. Having workers close to their jobs is critical to maintain the economy and community. The COVID pandemic has highlighted the need for more housing, with local real estate sales and rental trends exacerbating the lack of available housing for local residents and causing increased displacement of local renters.

At the direction of the BOCC, and following work sessions with the Board on October 11, November 3 and with the Planning Commission on November 18 and February 10 staff prepared a draft report proposing a new methodology for calculating mitigation fees for new residential development in the R-1 school district (see attached map) that could be assessed by San Miguel County.

Affordable Housing Fee Methodology – Draft Report

The draft report *San Miguel County Affordable Housing Fee Methodology* recommends a new method that is based on the difference between the market price of housing within Telluride Master Plan regional boundary (see attached map) and the price that is affordable to people for which the housing is intended. In addition to staff presenting the proposed fee method during the BOCC worksession, it wishes to discuss the following:

1. Increasing the 350 square feet of housing per employee currently identified in the Land Use Code affordable housing regulations.
2. Identify a maximum floor area limit at which full payment of fees in lieu of mitigation may occur, and at which the construction of employee housing unit(s) is required as mitigation.
3. Require newly constructed accessory dwelling units in the Telluride Region and caretaker units in the F zone be deed-restricted, whether the units are voluntary or required for mitigation.
4. Required Percentage Mitigation (currently 37%).

Amendments to Land Use Code 5-13 will be prepared based on the Board's direction.

Attachment(s):

- DRAFT *San Miguel County Affordable Housing Fee Methodology Report*

Resources:

- Affordable housing studies, including the 2018 Housing Needs Assessment, 2005 Employee Housing Impact Fee Support Study and the 2000 Residential Job Generation Study, are available online at link to “Other Resources” webpage.

SAN MIGUEL COUNTY, COLORADO

San Miguel County Affordable Housing Fee Methodology DRAFT

Market-Affordability Gap approach

John Huebner, Senior Planner
3-3-2022

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Background

Purpose Statement

The purpose of this report is to provide a methodology for calculating fees that could be assessed by San Miguel County through its program to promote affordable housing in the Telluride R-1 School District. The methodology for calculating fees must be sound, easily understood and readily updated. It must also be compatible with the existing Land Use Code.

This report recommends a methodology based on the difference between the market price of housing and the price that is affordable to people for which the housing is intended. This is referred to as the Market-Affordability Gap approach.

Introduction

San Miguel County in its regulations requires payment of an impact fee for the development of residential property in the unincorporated county in the R-1 District. San Miguel County Resolution 2007-11 adopted the residential impact fees and repealed existing provisions within the Land Use Code related to the requirement for building employee housing units (Accessory Dwelling Units (ADU) and Caretaker Units).

Organization of the Document

This report consists of the following sections as follows:

1. Recommended Methodology
2. Advantages Over Existing Approach
3. Legal Justification
4. Calculating the Model
5. Impact Fee Model for San Miguel County

Additional supporting documents are provided as appendices to this report.

Recommended Methodology

The Market-Affordability Gap approach is recommended for calculating the impact fee applicable to San Miguel County affordable housing requirements. It is based on the difference between the market price of housing and the price that is generally affordable to households meeting the affordable housing requirements. The benefits of this methodology are as follows:

- It is transparent and relatively simple, allowing for regular updating with readily available information from public sources (e.g. Telluride Multiple Listing Service, County Assessor, U.S. Department of Housing and Urban Development).
- May be used within the existing San Miguel County Building Department permitting process without requiring modifications. The impact fee may be expressed in per-unit, per-employee and per-square-foot amounts.
- Variables incorporated can be adjusted to reflect changes to local conditions and circumstances and to exclude outliers.
- Could be used to calculate fees for income categories as well as other categories, such as unit sizes that may be targeted in the future.

- Reflects changes in land and construction costs since they adjust to market conditions.
- Is applicable to both ownership and rental housing since sales of both types of units are included in market price calculations and since the affordable housing payment is assumed to be the same regardless of whether the targeted household owns or rents.
- Represents the actual cost of housing available to employees without public-sector subsidies and responsibilities. The County's affordable housing program does not intend for the public sector to subsidize affordable housing requirements; subsidies vary widely based on project design, location, financing, and other factors.
- Provides sufficient revenue to potentially develop new units, to purchase and deed restrict existing units, to provide assistance to housing projects, or to acquire land.
- Is based on a widely-used method for examining the affordability of housing; the gap between market and affordable prices is a key indicator of need.
- Was tested in 2008 lawsuit in Gunnison County and found by the District Court to be reasonable and sound.
- Is the methodology used by the Town of Telluride and other towns and counties in the Colorado Rocky Mountain region for calculating affordable housing impact fees.

Advantages over existing Approach

The existing method for calculating affordable housing impact fees was based on the gap between the historical cost of building affordable units and their affordable price, or the income received from sales and rentals. It relies on determining the costs of developing affordable housing, which has varied widely and has a small sample size. The market-affordability gap approach is recommended over the historic cost-affordability gap approach for several reasons:

1. It can be easily calculated with up-to-date reliable data on the market price of free market housing available from public sources (County Assessor, Telluride Association of Realtors). The previous model has not been updated since adoption in 2007, since compiling data was a complex time consuming process that involved the hiring of a consultant by the county.
2. It does not rely on adjustments to cost and price considerations of past projects to make the fees relevant. Affordable housing projects are infrequently built in this area so costs of past projects do not reflect current market conditions. Updating the impact fees would have required multiple assumptions regarding changes in land purchase, project design, construction costs and inflation.
3. Revenues could be more sufficient to build, buy or partner with other entities to produce housing when based on market prices. Calculating fees on the cost of public sector construction of affordable housing units under-represented the real cost to produce units.

Legal Justification

Local governments are expressly authorized to impose impact fees to serve new development as a condition of approval of development permits, C.R.S. 29-20-104.5. ("Colorado Land Use Control Enabling Act").

- San Miguel County along with three resort-based governments participated in a comparative analysis, conducted by RRC Associates, Inc. and The Housing Collaborative, LLC in 2000, to determine the number of jobs directly generated by residential units. The Residential Job Generation Study covered employees in the residential construction industry as well as jobs associated with the on-going maintenance and operation of homes. This study provides the empirical data to justify the impact fees proposed and related amendments to the Land Use Code, specifically Section 5-13, and to Appendix E.
- Impact Fees must be established at a level no greater than necessary to defray impacts related to the proposed development, and not to remedy existing shortage of affordable housing.
- Fees must be assessed according to a schedule that is legislatively adopted and apply to a broad class of property. The model would be enacted through an amendment to the Land Use Code, and updated administratively within Appendix E of the Code.
- The recommended fee calculation model and components and using the market-affordable price gap methodology appear to be legally justified.

Calculating the Market-Affordability Gap/Fee

The basic formula to calculate the market-affordable price gap involves a three-step process:

1. Calculate the amount that households in certain income category can afford to pay for housing.
2. Determine the market price for housing using available previous home sales data.
3. Compare market price to the affordable amount calculated to determine the gap. Use conversion factors to express the gap in per-unit, per employee and per square foot amounts.

San Miguel County's calculation from 2020 utilizing this formula is illustrated in the table below:

San Miguel County Fee Calculation Model		**2020**
12/3/2021		
Income Targets		
Area Median Income (AMI) 100% - household size	2	4
Maximum Income	$ 68,200	$ 85,200
Affordable Price		
Affordable Monthly Payment (30%)	$ 1,705	$ 2,130
Affordable principal and interest (80% of pmt)	$ 1,364	$ 1,704
HOA dues, property taxes, insurance (20%)	$ 341	$ 426
Assumed Mortgage interest rate	5.0%	5.0%
Maximum mortgage	$ 254,088	$ 317,424
Maximum affordable price - 5% down	$ 267,461	$ 334,130
Market Price		
Market Price per SF of heated floor area	$ 785	$ 785
Assumed Affordable Unit Size	850	1075
Market Price per Unit	$ 667,291	$ 843,927
Market-Affordability Gap/Fee		
per Affordable Unit	$ 399,830	$ 509,796
Per SF of affordable unit (per unit gap/Unit Size)	$ 470	$ 474
Per Employee (per unit gap/1.6 employees per unit)	$ 249,894	$ 318,623

The variables impacting the bottom line are described for each of the main components of the formula 1) affordable price; 2) market price; and 3) market-affordability gap/fee.

Affordable Price

The affordable purchase price calculation involves the following main variables.

- Income – There are differing levels for qualifying household income used by the region's local governments related to affordable housing requirements. The County's impact fees are based on 100% AMI (Area Median Income for San Miguel County), which is published annually by HUD (US Housing & Urban Development).
- Percentage of Income Spent on Housing Payment – The percentage among resort communities examined is 30%. Per the 2018 SMC Housing Needs Assessment, households spending over 30% of their annual income on housing costs are considered to be cost burdened. For purposes of calculating impact fee amounts, governments usually assume that housing is affordable if 30% of gross household income covers the monthly mortgage (PITI – principal, interest, taxes, and insurance) or rent payment.
- Property Taxes, Insurance and HOA fees – It is assumed that 20% of the housing payment covers taxes, insurance and HOA fees.
- Mortgage Interest Rate – San Miguel County assumes a 5% interest rate for purposes of this calculation. The interest rate assumed for calculating the maximum affordable mortgage amount impacts the affordable price and resulting gap/fee. For example, with a 30 year mortgage at 4.25%, a buyer could borrow 4.188 times their annual income assuming that 30% of their income covers PITI. At 5.25% they could only borrow 3.725 times their income. If buyers do not have a 20% down payment they will also have to purchase mortgage insurance. The Town of Telluride assumes a 5% interest rate.
- Down Payment – The communities surveyed assume employees can afford 5% down.
- Mortgage Term – The communities studied calculate the affordable purchase price based upon a 30-year fixed rate amortizing mortgage.

Market Price

- Source of Sales Data – Assessor records are comprehensive, unbiased, public and relatively easy to obtain but they are not easily compiled for use in developing these county impact fees. The MLS sales reports produced by real estate offices were used and were acquired and provided by Town of Telluride.
- Sales Type – Only free market real estate sales are included. Property sales are excluded that are subject to use or occupancy restrictions, such as restrictions that require accommodations uses for any period of time (fractional ownership), or affordable housing deed-restrictions.
- Location – There is significant price variation by area within San Miguel County. Real estate sales occurring within the Telluride Region, as identified in the San Miguel County Master Plan, are used. This region encompasses the Towns of Mountain Village and Telluride and surrounding subdivisions in the unincorporated county. Sales from within these two municipalities are included in the County's impact fee calculation since most of the employee generation in the county occurs here in the east end.

- Types of Units included – Sales of dwelling units within duplex and multi-family buildings are employed for this study as those unit types most closely match housing occupied by qualified households. Single-family residences with acreage were excluded; this removes variation associated with attached land.
- Average vs Median Price – The market price per square foot can be expressed as a median or average. The average price per square foot is typically higher than median price; the average is more influenced by high-end home sales.
- Period Covered – The sales from the three previous calendar years is utilized. Three years of data are used rather than just the one previous year to increase the sample size and reduce the margin of error. This also reduces fluctuations in the sales values due to market volatility.
- Size of Employee Unit – The final step in the calculation of market price is to apply the average price per square foot to the square footage of the employee housing unit. The size of the employee housing units was determined using the Telluride Affordable Housing Guidelines, amended June 4, 2021. The average of the minimum and maximum square feet for Unit type from the Unit Size Standards table, Section 210.1., was utilized and took into account minimum household size for said unit types in Section 103.3. B.

Market Affordability Gap/Fee

The final step in the fee calculation process is the subtraction of the affordable price from the market price. The result is a per affordable housing unit gap. The unit gap is divided by the assumed unit size(s) to yield the per square foot gap fee.

Conversion factor:

- Number of employees per Household – The average in San Miguel County is 1.6 employees per unit based upon the Telluride San Miguel County Regional Community Survey 2002. The 2018 SMC Housing Needs Assessment survey states the number of employees per households has increased per age groups surveyed, but didn't identify the total number per household.

San Miguel County Impact Fee Model Recommendation

Income Targets

Income targets are based on the 2020 HUD Area Median Income (AMI) amounts for San Miguel County. The figures for two person households are provided for comparison. For San Miguel County, a 100% AMI category is used since the County's code does not specify multiple income categories.

Affordable Price

A key variable in the fee calculation formula is the mortgage interest rate, which is assumed to be 5% and is used for the 2021 calculation. A down payment of 5% is used. Increasing the down payment and decreasing the interest rate increases the affordable price and would therefore lower the impact fees. Should interest rates rise in the future, the rate used for the fee can be adjusted.

Several other variables involved in the calculation of affordable prices include the percentage of income that is affordable to spend on housing payments, the percentage of the monthly payment that covers mortgage principal and interest, the percentage of the payment that pays for HOA fees, property taxes and property insurance, and the term of the mortgage. The term and rates used for this model are as follows:

- Interest rate = 5%;
- Down Payment = 5%;
- Affordable housing payment = 30% of income;
- Mortgage principal and interest = 80% of affordable housing payment;
- HOA fees, property taxes and insurance = 20% of affordable housing payment;
- The mortgage term = 30 years at a fixed rate.

The sizes of the affordable housing units assumed for this model are 850 sf (square feet) for a two person household and 1075 sf for a four person household. The source of these unit sizes is the Telluride Affordable Housing Guidelines. By comparison the LUC definition for “Population Density” specifies up to 900 for 2 people, 900-1500 sf for 3 people, and over 1500 sf for four people. However, affordable housing units tend to be smaller. Therefore, staff recommends using the sizes from the Telluride Affordable Housing Guidelines. Increasing the size would increase the impact fee.

Market Price

The most significant variables in the determination of the market price per square foot and the resulting market-affordability gap fee are location of real estate sales and improvement types. Through discussions with county staff and Town of Telluride staff, it was determined to use residential sales occurring in the Telluride Region and of those, only use housing units within duplexes and multi-family buildings. It does create a more Telluride-and Mountain Village-centric sales sample. Excluding the sales of single-family residences results in sales that are more representative in size and improvement type to the affordable housing units that will be developed with impact fees in the future or purchased by locals in terms of size, design and density, and eliminates the variables associated with single-family properties, which may have many more amenities as well as land.

Staff was able to use a spreadsheet provided by the Town of Telluride of sales compiled for prior years. There is a sufficient quantity of real estate sales each year needed to produce reliable data for this impact fee methodology.

Period Covered

Three prior years of real estate sales data is utilized rather than just a single prior-year period to calculate a market price per square foot utilized in this model. The following measures of central tendency are analyzed:

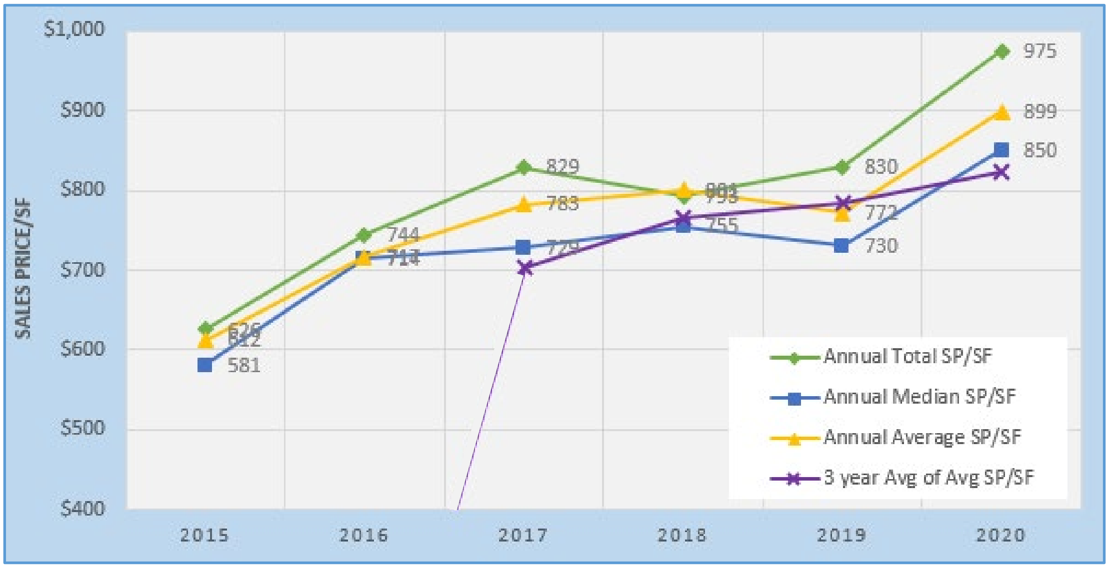
1) Average annual sales price per square foot (Avg SP/SF).

2) Median annual sales price per square foot (Med SP/SF).

3) Dividing the sum of total annual sales by the total square footage for all sales (Total Sales/SF).

The following chart illustrates these three measures of dwelling unit sales per square foot for the sales years 2015 – 2020. The average sales price for Total Sales/Total SF (green) is the highest measure each year. The Average (yellow) and Median annual sales price per square foot (blue) are less each year. Staff inserted into the chart the three year prior-periods average of the Average price per square foot (purple) starting in 2017. This measure reduces the annual variability of the real estate sales and will therefore minimize annual changes in the level of proposed impact fees.

Figure 1 – Comparison of Market Sales Price Per Square Foot measures (Telluride Region).



The following table presents the compiled sales data that used to determine the market price per square foot for 2019, 2020 and 2021. Staff utilized the average of three (3) prior years of average annual sales price per square foot (Average SP/SF) to develop the San Miguel County Fee Calculation Model.

Table 1 Three year Averages of Market Price measures

Impact Fee Year: 2019				Impact Fee Year: 2020				Impact Fee Year: 2021			
Prior Sales Year	Total SP/SF	Median SP/SF	Average SP/SF	Prior Sales Year	Total SP/SF	Median SP/SF	Average SP/SF	Prior Sales Year	Total SP/SF	Median SP/SF	Average SP/SF
2018	793	755	801	2019	830	730	772	2020	975	850	899
2017	829	729	783	2018	793	755	801	2019	830	730	772
2016	744	714	717	2017	829	729	783	2018	793	755	801
3 year Average prior sales years	788.69	732.69	766.89	3 year Average prior sales years	817.16	738.05	785.05	3 year Average prior sales years	865.83	778.57	823.83

The recommended impact fee calculation model and components for San Miguel County (2021) follows. It uses the three prior sales years of the Average Market Sales Price per Square Foot value of $824. The 100% Area Median Income (AMI) figures are $68,200 for a 2-person household and $85,200 for four persons. The market-affordability gap per unit for the 1,075 sf unit is $565,998, per employee is $353,749, and it is $527 per improvement square foot. The corresponding gap per unit for an 850 sf unit is $444,560, per employee $277,850, and $523 per sf. Among the three measures of market-affordability gap (per unit, per employee, and per sf) per square foot of affordable unit has the least variation.

From the 2021 model staff, proposes utilizing the $527 per square foot market affordability gap (per unit gap/unit size) in determining impact fees for affordable housing mitigation.

Model Year 2021

Recommended Fee Calculation Model and Components for San Miguel County

San Miguel County Fee Calculation Model		2021	
2/10/2022			
Income Targets			
Area Median Income (AMI) 100% - household size	2	4	
Maximum Income	$ 65,200	$ 81,500	Enter data here (HUD)
Affordable Price			
Affordable Monthly Payment (30%)	$ 1,630	$ 2,038	
Affordable principal and interest (80% of pmt)	$ 1,304	$ 1,630	
HOA dues, property taxes, insurance (20%)	$ 326	$ 408	
Assumed Mortgage interest rate	5.0%	5.0%	
Maximum mortgage	$ 242,911	$ 303,639	
Maximum affordable price - 5% down	$ 255,696	$ 319,620	
Market Price			
Market Price per SF of heated floor area	$ 824	$ 824	Enter Market Price per SF here
Assumed Affordable Unit Size	850	1075	
Market Price per Unit	$ 700,256	$ 885,618	
Market-Affordability Gap/Fee			
per Affordable Unit	$ 444,560	$ 565,998	
Per SF of affordable unit (per unit gap/Unit Size)	$ 523	$ 527	
Per Employee (per unit gap/1.6 employees per unit)	$ 277,850	$ 353,749	

Components of the model are summarized below

Income Targets

Based on FY 2020 HUD Area Median Family Income (AMI) for San Miguel County -100% AMI is $81,500 4 person household

2020 Household persons per occupied unit: San Miguel County - 2.24, Telluride - 2.16, Mountain Village 1.94

Affordable Price

A mortgage interest rate of 5.00% is used for 2020 calculation.

Affordable housing payment = 30% of income

Mortgage principal and interest = 80% of affordable payment

HOA fees, property taxes and insurance = 20% of affordable payment

Mortgage term is 30 years at a fixed rate

Market Sales Price per Square Foot

Area Covered: Sales within the Telluride Region Master Plan Area are used for San Miguel County's fee calculation

Free market sales of units with duplex and multi-family buildings, ad with no housing deed-restrictions or occupancy restrictions

Time Period of Sales: prior three year period 2018, 2019, 2020

Unit Sizes: Avg of Min. and Max SF for 2Br and 3Br units Tell Aff Hsg Guidelines 8/13/2019

Conversion Factors

Factor of 1.6 employees per unit was used. This figure was generated in 2005 Employee Housing Impact Fee Support Study. 1.6 per 2011; 1.56 per 2018 Housing Needs Asses

To convert into per-square foot fee amounts: used Assumed Affordable Unit Size square fee per affordable Unit

From the above 2021 model, staff proposes utilizing 4-person household size with the $527 per square foot market affordability gap (per unit gap/unit size) in determining impact fees for affordable housing mitigation.

The first step in calculating the amount of required mitigation, either employee housing unit square footage to be provided or Impact Fee, is to determine the number of "Employees Generated" by the development.

In 2007 the County adopted affordable housing requirements for single family and duplex residential development based on an employee generation rate formula developed in 2000 by the Residential Job Generation Study for San Miguel County, and in 2005 with the SMC Employee Housing Impact Fee Study. The creation of this formula included data derived from San Miguel County; therefore this generation rate formula is applicable to San Miguel County and provides the generation rate linkage (nexus) to San Miguel County imposing affordable housing mitigation requirements.

Two components comprise the residential development employee job generation rate formula: (1) number of employees generated by a residential dwelling after it has been constructed [Operations and Maintenance]; and (2) permanent construction employees generated.

"Employees Generated" = $0.070174(e)^{(0.000322 \text{ X Proposed Floor Area})}$ + (.0044 X Proposed Floor Area)

The residential construction job Generation Rate table is provided in Appendix D

The amount of required mitigation is calculated using the following formula(s).

The number of square feet per Employee currently is a minimum of 350 square feet per employee.

The required Impact Mitigation Rate percentage currently is 37% per LUC Section 5-1303 G XVI

Floor Area of Employee Housing mitigation requirement = Employees Generated X Provision of square feet of Floor Area per employee generated X Impact Mitigation Rate

Impact Fee = Floor Area of Employee Housing mitigation requirement X per square foot market affordability gap

Table 2 Example of Required Affordable Housing Mitigation

Variables	
Residential Floor Area (Type SF in yellow box)	2,000
Constants	
Maintenance FTE's Coefficient	0.070174
Exponential Coefficient	0.000322
Average Construction FTE's	0.0044
Sq. Ft. Per Employee per LUC	350
Impact Mitigation Rate per LUC	37%
Per SF of affordable unit (per unit gap/Unit Size)	$ 527
Mitigation Calculation	
Employees Generated	**0.353617**
Employee Housing SF to be provided	**-**
Impact Fee	**$ 24,133.13**

The following scenarios in Figure 2 consists of several Required Mitigation Percentages (37, 50, 75) and the Number of Square Feet per Employee (350 or 400) for comparison purposes. Telluride uses a standard of 400 square feet per employee

When the required Employee Housing Square Feet (SF) to be provided is equal to or less than number of square feet required for affordable housing mitigation by the Land Use Code (currently 350 feet) the payment of impact fees in lieu of mitigation shall apply. If the amount of required Employee Housing SF is greater, then the construction of employee housing unit is required. If an employee housing is required, the square footage of employee housing required is indicated in green in the table below.

Figure 2 - Comparison of Proposed Market-Affordability Gap/Fee per Square Foot Scenarios

		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
SF Per Employee		350	400	350	400	400
Mitigation %		37%	37%	50%	50%	75%
Impact Fee/SF		527	527	527	527	527
Square Footage	Employees Generated					
500	0.137	$ 9,415	$ 10,760	$ 12,723	$ 14,540	$ 21,811
1000	0.207	$ 14,169	$ 16,193	$ 19,147	$ 21,883	$ 32,824
1500	0.279	$ 19,096	$ 21,824	$ 25,805	$ 29,491	$ 44,237
2000	0.354	$ 24,225	$ 27,685	$ 32,736	$ 37,413	$ 56,119
3000	0.514	$ 35,238	$ 40,272	$ 47,618	$ 54,421	$ 81,631
4000	0.694	$ 47,571	$ 54,367	$ 64,286	$ 73,469	$ 110,204
5000	0.901	$ 61,728	$ 70,546	$ 83,416	$ 95,333	$ 142,999
6000	1.144	$ 78,400	$ 89,600	$ 105,946	$ 121,081	$ 181,621
7000	1.438	$ 98,542	$ 112,620	$ 133,166	$ 152,189	432
8000	1.802	$ 123,474	$ 141,113	$ 166,857	$ 190,694	541
9000	2.263	$ 155,015	$ 177,159	396	453	679
10000	2.856	370	423	500	571	857
11000	3.634	471	538	636	727	1,090
12000	4.664	604	690	816	933	1,399
		Affordable Housing Unit SF Required				

Figure 3 – Alternate Comparison of Proposed Market-Affordability Gap/Fee per Square Foot Scenarios

		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
SF Per Employee		350	400	350	400	400
Mitigation %		37%	37%	50%	50%	75%
Impact Fee/SF		527	527	527	527	527
Square Footage	Employees Generated					
500	0.137	$ 9,379	$ 10,719	$ 12,675	$ 14,485	$ 21,728
1000	0.207	$ 14,116	$ 16,132	$ 19,075	$ 21,800	$ 32,700
1500	0.279	$ 19,024	$ 21,741	$ 25,707	$ 29,380	$ 44,070
2000	0.354	$ 24,133	$ 27,581	$ 32,612	$ 37,271	$ 55,907
3000	0.514	$ 35,104	$ 40,119	$ 47,438	$ 54,215	$ 81,323
4000	0.694	$ 47,392	$ 54,162	$ 64,043	$ 73,192	$ 109,787
5000	0.901	$ 61,495	$ 70,280	$ 83,101	$ 94,972	$ 142,459
6000	1.144	$ 78,104	$ 89,261	$ 105,545	$ 120,623	$ 180,935
7000	1.438	$ 98,170	$ 112,194	$ 132,662	$ 151,614	$ 227,421
8000	1.802	$ 123,007	$ 140,580	$ 166,226	$ 189,973	$ 284,959
9000	2.263	$ 154,428	$ 176,490	$ 208,687	$ 238,500	$ 357,749
10000	2.856	$ 194,934	$ 222,782	$ 263,424	$ 301,056	$ 451,585
11000	3.634	$ 247,975	$ 283,400	$ 335,102	$ 382,973	$ 574,460
12000	4.664	$ 318,314	$ 363,788	$ 430,154	$ 491,605	$ 737,407
		NO Affordable Housing Unit SF Required				

Appendices

A. Current Impact Fee Table
B. Proposed Impact Fee template 2021
C. Affordable Unit Size
D. Employee Generation Tables
E. HUD Income Table
F. Implementation & Recommended Changes to the Current Land Use Code
G. R-1 School District Map
H. Telluride Master Plan Region Boundary Map

Appendix A: Current Impact Fee Table

Table 1 - Fees resulting from SFR, Duplex development:			
Current formula ={[(.070174e.000322*SF)* (mitigation rate)] + [(sf * .0044) * (mitigation rate for that year)]/40} • per employee subsidy – Credit) = Impact Fee			
Square Footage	Employees Generated	Fee	
500	0.137	$ -	
1000	0.207	$ -	
1500	0.279	$ -	* No fee for dwellings < 1800 sf
2000	0.354	$ 3,092	
3000	0.514	$ 4,388	
4000	0.694	$ 5,984	
5000	0.901	$ 7,995	
6000	1.144	$ 10,579	
7000	1.438	$ 13,951	
8000	1.802	$ 18,413	
9000	2.263	$ 24,379	
10000	2.856	$ 32,418	
11000	3.634	$ 43,320	
12000	4.664	$ 58,171	

Appendix B: Impact Fee template 2021

Affordable Housing Mitigation Fee Calculator
Single-family Residence / Duplex / Multi-family Unit

Project Name	
Address/Location	
Property Owner	
Date	

Calculation of residential affordable housing mitigation required

New Construction

Variables	
Residential Floor Area (Type SF in yellow box)	-
Constants	
Maintenance FTE's Coefficient	0.070174
Exponential Coefficient	0.000322
Average Construction FTE's	0.0044
Sq. Ft. Per Employee per LUC	350
Impact Mitigation Rate per LUC	37%
Per SF of affordable unit (per unit gap/Unit Size)	$ 527
Mitigation Calculation	
Employees Generated	**0.070174**
Employee Housing SF to be provided	-
Impact Fee	**$** -

Additions

Variables	
EXISTING **Residential Floor Area** (Type SF in yellow box)	-
ADDITIONAL **Residential Floor Area** (Type SF in yellow box)	-
New **Residential Floor Area**	-
Constants	
Maintenance FTE's Coefficient	0.070174
Exponential Coefficient	0.000322
Average Construction FTE's	0.0044
Sq. Ft. Per Employee per LUC	350
Impact Mitigation Rate per LUC	37%
Per SF of affordable unit (per unit gap/900 SF)	$ 474
Mitigation Calculation	
Employees Generated	**0.070174**
Impact Fee	**$** -

Appendix C: Affordable Unit Size

Assumed Affordable Unit Size		
Unit Type	Household size	Square Feet
Studio	1	350
1 Br	1	525
2 Br	2	850
3 Br	3	950
3 Br	4	1,075
4 Br	4	1,200

San Miguel County Land Use Code 6 - 24 November 2021

Population Density

A measure of the number of persons that could be accommodated in a development, determined on the following basis:

(1) Hotel or Lodge Unit, Guest Ranch or Bed and Breakfast Bedroom - 1.5 people;

(2) Dwelling Unit with Floor Area less than 900 sq. ft. - 2 people

(3) Dwelling Unit with Floor Area between 900 sq. ft. and 1,500 sq. ft. - 3 people

(4) Dwelling Unit with Floor Area greater than 1,500 sq. ft. - 4 people

5-1303 E. **Size**, Location and Occupancy of Mitigation Units

Deed restricted housing constructed as affordable housing impact mitigation shall provide the following :

minimum square feet	350

Telluride Affordable Housing Guidelines

Household Size - the total number of people in a Household shall not be less than the following Minimum Household Sizes

Unit Type	Min Household size
1 Br/Studio	1 person
2 Br	2 persons
3 Br	3 persons
4 Br	4 persons

Unit Size Standards

Unit Type	Min Sq Ft	Max Sq Ft
1 Br/Studio	450	600
2 Br	750	950
3 Br	950	1,200
4 Br	TBD	TBD

Appendix D: Employee Generation Tables

Residential Employee Job Generation Rate Tables [1]

Square Feet	FTE's Generated (**Construction**) [1]	FTE's Generated (**Maintenance**) [2]	FTE's Generated (**Total**)
1,000	0.11	0.097	0.207
2,000	0.22	0.134	0.354
3,000	0.33	0.184	0.514
4,000	0.44	0.254	0.694
5,000	0.55	0.351	0.901
6,000	0.66	0.484	1.144
7,000	0.77	0.668	1.438
8,000	0.88	0.922	1.802
9,000	0.99	1.273	2.263
10,000	1.10	1.756	2.856
11,000	1.21	2.424	3.634
12,000	1.32	3.344	4.664
13,000	1.43	4.615	6.045
14,000	1.54	6.368	7.908

[1] Table data established by RRC Associates, Inc. and the Housing Collaborative, LLCin the 2000 Residential Job Generation Study provided to San Miguel County.

[2] The FTEs generated by construction employment were calculated using the formula Y=.11employees x (square feet/1000)

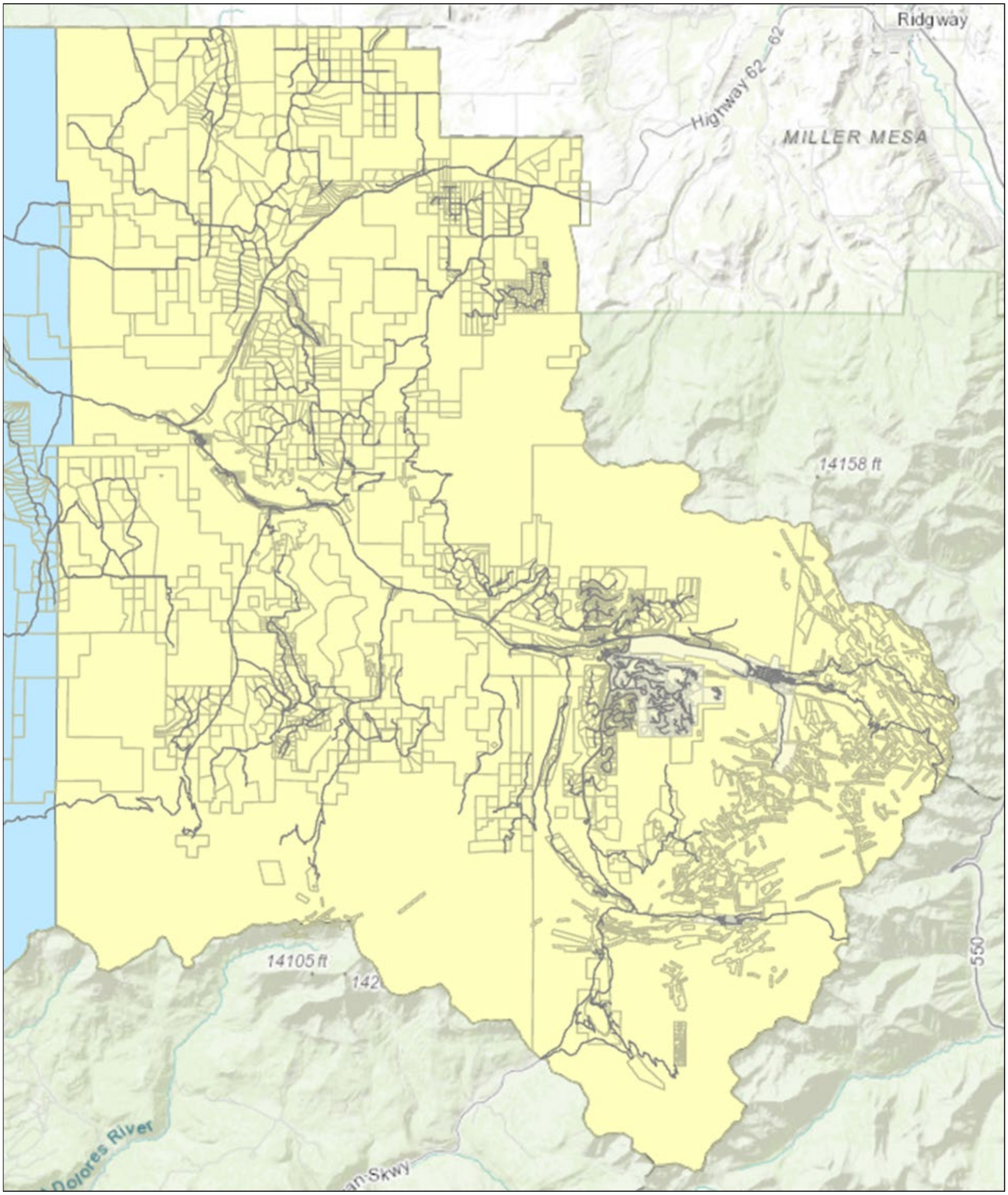
[3] The FTEs generated by ongoing services and maintenance were calculated using the formula (Y=0.070174e0.000322 X Square Feet)

Appendix E: HUD Income Table

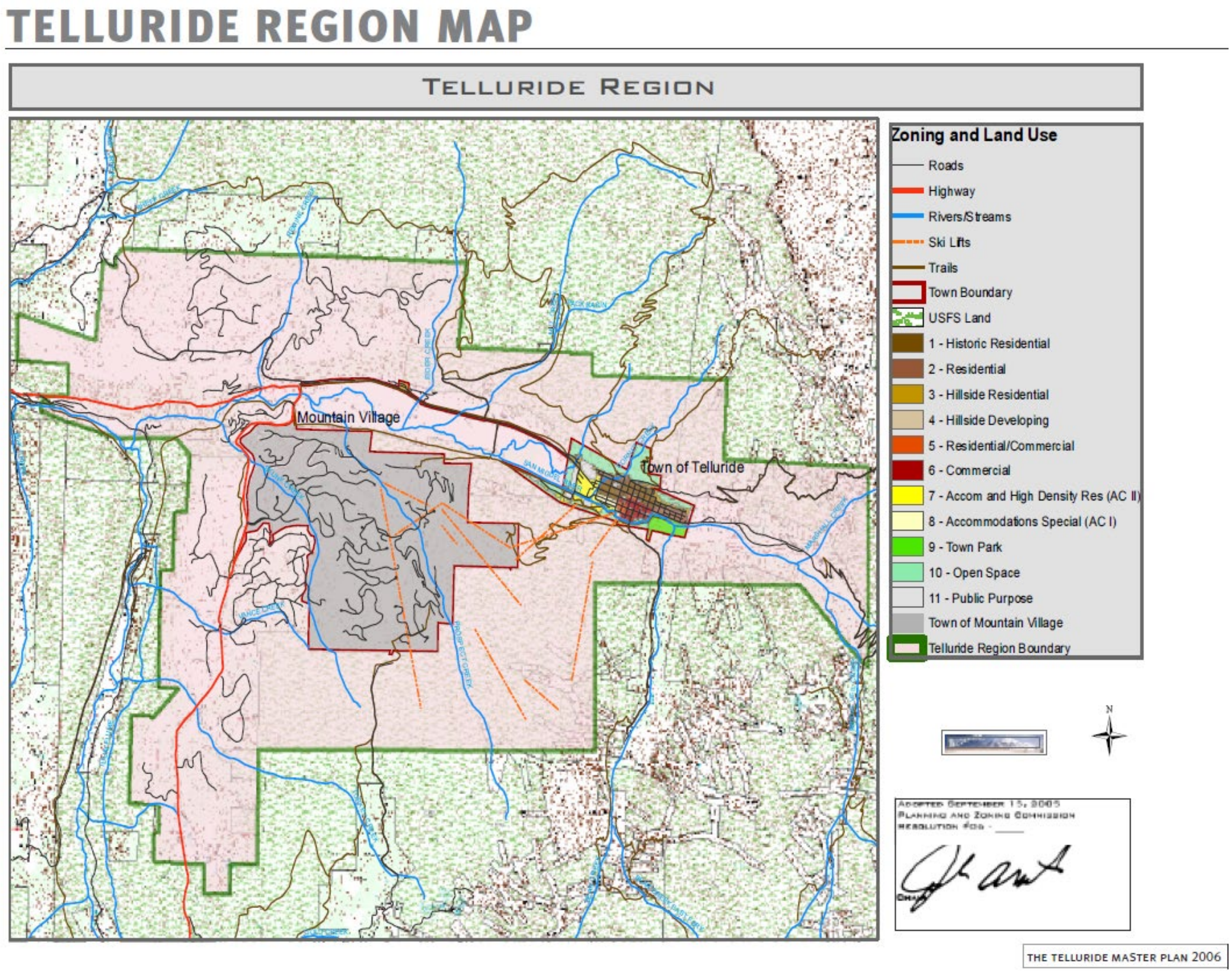
					Obtain information from HUD Annual Income Limits summary			
Model			Persons in Family			Persons in Family		Median Family
Year	Area	Fiscal Year	2	4	Income Limit	2	4	Income
2020	SMC	2018	$ 68,000	$ 84,900	50%	$ 34,000	$ 42,450	$ 77,000
2021	SMC	2019	$ 68,200	$ 85,200	50%	$ 34,100	$ 42,600	$ 78,800
2022	SMC	2020	$ 65,200	$ 81,500	50%	$ 32,600	$ 40,750	$ 81,500
2023	SMC	2021	$ 68,400	$ 85,500	50%	$ 34,200	$ 42,750	$ 87,800
2024	SMC	2022	$ -	$ -	50%			
2025	SMC	2023	$ -	$ -	50%			
2026	SMC	2024	$ -	$ -	50%			
2027	SMC	2025	$ -	$ -	50%			
2028	SMC	2026	$ -	$ -	50%			

Enter data here (HUD)

Appendix F: R-1 School District Map



Appendix G: Telluride Region Map



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Appendix H: Implementation & Recommended Changes to the Current Land Use Code

The adoption of the fee structure as presented in this report has significant implications for the Affordable Housing section of the current County land use code. A summary of these recommended code revisions follows.

I. *Accessory Dwelling Units:* The residential development fee structure presented is based on the affordable housing mitigation required. A requirement to construct an ADU is included in the basis of this fee structure and it is recommended that it be added to the code.

II. *Deed Restrictions*: Adopt deed restrictions that include minimum occupancy requirements applicable to all accessory dwelling units required to be constructed for affordable housing mitigation.

III. *Commercial Development:* Amend employee housing requirements for non-residential development to allow for the collection of fees up to a certain square foot threshold.

IV. *Updating the Affordable Housing Fee Schedule:* The components of model that need to be updated annually and those processes to do so are identified.

The following sections address the above items in more detail.

I. *Accessory Dwelling Units:*

The development of one accessory dwelling unit per lot or parcels is allowed in the HD, MD and LD Zone Districts, only within the Telluride Region as defined in the Telluride Regional Area Master Plan, subject to compliance with all applicable standards in LUC Section 5-13. Caretaker units are an allowed use within the Forestry, Agriculture, Open (F) zone district subject to meeting all applicable Land Use Code standards.

The construction of accessory dwelling units (ADU), and of caretaker units located within the Telluride Region, should only be allowed, as required for impact mitigation, or if voluntarily designated for affordable housing by the property owner, and if deed restricted as a condition of approval to promote affordable housing. This means that free market ADUs or caretaker units would no longer be permitted within the Telluride Region.

II. Deed Restrictions

Although requiring an on-site ADU for the mitigation of employees to construct a single-family residence in some zone districts would provide housing, the R-1 Deed Restriction is not restrictive enough to ensure that it is affordable and occupied by a qualified employee working in the R-1 School District.

A concern is that while units may be produced on site for mitigation of affordable housing, they may not be rented by qualified employees. They may be used for other purposes or sit vacant. Previously, the development of a single-family homes in some zone districts received County approval to construct an accessory dwelling unit as mitigation of affordable housing. Evidence gathered previously by the San Miguel County Regional Housing Authority suggested that Accessory Dwelling Units even with the R-1

Deed restriction in the unincorporated County were less than 40% occupied. This discovery regarding occupancy was an impetus for the County to discontinue the onsite ADU requirement in 2007, and institute a residential impact fee instead.

Imposing occupancy requirements (e.g. unit is not allowed to remain vacant for more than 90 days and shall be leased for no less than 6 months at a time) would likely raise the occupancy rates, particularly if accompanied with enforcement.

III. Commercial Development: MORE INFORMATION NEEDED

IV. Updating the Affordable Housing Fee Schedule

Maintain the fee model and supporting tables within Appendix E of San Miguel County Land Use Code. Modifications to the fee structure could occur without having to amend the Land Use Code. County Planning staff shall update the Affordable Housing fee using the following method, which shall be calculated annually by April 30 each calendar year.

Update the following components of the San Miguel County Fee Calculation Model annually:

Step 1 - Income Targets –

- Obtain Fiscal Year (FY) Annual Income Limits Summary prepared annually by the US Housing and Urban Development for the San Miguel County, CO area, and utilize to obtain the 100% Income Limits utilized for developing impact fees by San Miguel County.
- Using the Very Low (50%) Income Limits ($) obtain the incomes for 2 and 4 persons in a family. These income limits must be doubled to obtain the 100% county income target.
- Calculate the Maximum Affordable Price.

Step 2 - Market Price per Square Foot of Heated Floor Area –

- Utilize the Telluride Multiple Listing Service (MLS) to find and compile real estate sales that fit the following parameters:
    - i. Sales that occurred within the three (3) previous calendar years; and
    - ii. Free Market*Dwelling Units; and
    - iii. Duplex and multi-family occupancy; and
    - iv. Studio, one (1), two (2), and three (3) bedrooms; and
    - v. Within Telluride Region as defined in the County Master Plan.

    * Free Market = housing units that are not subject to use or occupancy restrictions, such as deed-restricted housing or time share restrictions.

- Determine the Average annual sales price per square foot (Avg SP/SF). Calculate the Market Price per Unit.

Example: Planning staff compiled sales prices from 2018, 2019 and 2020 in accordance with the criteria outlined above. The (Free) Market Price per SF of heated floor area is $840 per square foot. Using the proposed methodology, the Impact Fee would be $529 per square foot.

M E M O R A N D U M

TO: San Miguel County Board of Commissioners
FROM: Kaye Simonson, AICP, Planning Director
RE: Short-term Rentals
DATE: March 9, 2022

Short term rentals (STRs) within the unincorporated area require issuance of a County Short-term Rental Permit and are subject to the regulations contained in LUC Section 5-30 (attached). The STR regulations were last updated in September of 2020. There are at present 34 current Short-term rental permits issued in the County. According to vendors of software programs that can be used to track short-term rentals, there are about 140 properties in the unincorporated area listed through the various platforms, including AirBnB, VRBO, and others. (There are approximately 2500 STRs in the Towns of Telluride and Mountain Village.) Heather Widlund has prepared a map showing the location of all permitted STRs in the unincorporated County. If directed by the BOCC, that app can be made available to the public through the map viewer, or it can be an internal tool.

Key things to know:

- STRs are only allowed in single-family, duplex and condominium (multi-family) dwellings.
- STRs are not allowed in accessory dwellings or caretaker units. They are also not allowed in campers, tents, or any structure that is not a primary dwelling unit.
- They are not allowed in the Open Space (OS), High Country Area (HCA) or Affordable Housing Planned Unit Development (AHPUD) zone district. *NOTE: The Code should be amended to clarify that STRS are not allowed in any deed-restricted unit, which could be located in other PUDs or the Community Housing (CH) zone district.*
- STRs are limited to occupancy of less than 30 days. Occupancy over 30 days is considered long-term, which is not subject to sales or lodging taxes (State law).
- Many platforms and property managers will collect and remit the required sales tax. However, owners are still required to obtain a State Sales Tax License and are obligated to remit taxes is the platform or manager does not do so. The Planning Department does not know if the unpermitted STRs (or their platforms/property managers) have been collecting and remitting sales tax.
- The STR permit fee is $150, of which $75 goes to Planning Department fee revenue and $75 goes to the Building Department for their inspection. This was increased from a nominal $10 fee in January of 2021.
- The Building Department inspects for surface safety concerns – emergency escape windows in bedrooms, smoke and CO detectors, ingress/egress paths of travel, handrails and guardrails, the presence of fire extinguishers, etc. The inspection does not include a determination of whether the dwelling is fully compliant with all applicable building codes. In researching STR permitting in other counties, we did not find any others that required a safety inspection.

- Permits are valid for 2 years. Re-inspection is not required if the owner submits an affidavit stating they are complying with all safety standards.
- Occupancy is limited to 2 people per bedroom, but no more than 10 people, unless administrative approval is granted and the water and wastewater service is adequate to handle the additional people.
- STRs are rented to a single party only. The renting of individual rooms in a dwelling to various parties is considered a bed and breakfast use, which has different permitting and licensing requirements.
- Guests must be provided the name and phone number of the 24-hour local contact.
- If known to the Assessor to be a short term rental, the Assessor does tax personal property. There has not been any interdepartmental coordination to compare properties.

Discussion points:

- In addition to clarifying where STRs are allowed (additional zone districts, not deed-restricted), are there other changes to the regulations that are necessary?
- Is there a desire to undertake an enforcement process to get all STRs in the unincorporated area properly permitted? If so, this will most likely require contracting with a vendor who has access to the various platforms. Our current fees are not adequate to fund a contract.
- What should the building inspection include? What should it exclude?
- Is the existing fee adequate, or should it be increased? Should the 2-year permit period be changed?
- Do we want to limit the number of STR permits in a certain area? For example, the Norwood community has expressed an interest in limiting the number on Wright's Mesa.
- Should the map be on the public map page or just for internal use?
- Should the County require business registration in order to potentially capture and permit more STRs?
- Anything else?

5-30: SHORT-TERM RENTAL

5-3001 General

This section shall govern the use and occupancy of a Single-family Residence, Condominium Unit or Duplex Unit by a third party for compensation for less than thirty (30) consecutive days. Accessory Dwelling Units and/or Caretaker Units and County R-1 Housing Deed-Restricted Units are not eligible for Short-Term Rental. The rental of accessory structures, recreational vehicles, camping spaces, and other spaces not located in primary dwelling unit is not allowed as a Short-Term Rental. A permit for a Short-Term Rental is not required in the West End (WE) Zone District; however, all applicable taxes shall be collected and remitted as set forth in Section 5-3001 A. Short-Term Rentals are prohibited in the Open Space (OS) Zone District, the High Country Area (HCA) Zone District, and the Affordable Housing Planned Unit Development (AHPUD) Zone District.

5-3001 A. Purpose

The purpose of this Section is to promote public health, safety and general welfare by establishing standards for rental of a Primary Residence for less than thirty (30) consecutive days. These regulations are also intended to ensure that individuals or entities that Short-Term Rent a residence in the unincorporated areas of San Miguel County are collecting and remitting the requisite State and County Sales Tax and County Lodging Tax. (C.R.S. 39-26-102 (11), (C.R.S. 39-26-104 (1) (f)) Any individual or entity advertising a residential unit for Short-Term Rental in any media including the Internet or who has hired a property manager to handle the Short-Term Renting of a residence is required to comply with the standards in Section 5-3001 and obtain a County Short-Term Rental Permit.

5-3001 B. Standards

I. County Permit. The owner(s) must complete the application for and obtain a Short-Term Rental Permit approval from the County. An approved Permit is valid for a two-year period and must be renewed every two years.

II. Registering with the Colorado Department of Revenue (CDOR). Short-Term Rental of a residential unit requires the property owner to file with the CDOR and provide the County Planning Department with a copy of their State Sales Tax License. Taxes may be collected and remitted by property managers or on-line rental platforms that book short term rentals on the owner's behalf. The use of a property management company or on-line rental platform does not relieve the property owner of the responsibility to register with CDOR and to collect and remit taxes.

III. The County Short-Term Rental Permit number must appear in a conspicuous place on all Short-Term Rental advertising materials.

IV. The Short-Term Rental shall only be rented to a single party. If renting rooms instead of the entire dwelling unit, individual guest rooms shall not be rented out to multiple parties.

V. If the Short-Term Rental is not served by a municipal or community sewer system the Dwelling must have an onsite wastewater system recognized and approved by the County Environmental Health Department according to their applicable regulations. Existing systems do not need to be repaired or replaced unless required by the County Environmental Health Department.

VI. If the Short-Term Rental is not served by a municipal or community water system, the Dwelling must have a domestic well permitted by the Colorado Division of Water Resources that provides sufficient quantity and quality of potable water.

VII. Occupancy is limited to two (2) persons per bedroom or sleeping room unless the unit is on central sewer or additional occupancy has been incorporated into the capacity of the onsite wastewater treatment system (OWTS). In this case, the occupancy shall be limited to the number of people for which a County approved OWTS has been designed but in no case shall the occupancy exceed ten (10) people. Additional persons may be authorized through a specific Administrative Review process where it is determined that the OWTS as designed and built is adequate for the proposed use.

VIII. The rental residence will be inspected by the Building Department for surface type safety concerns such as emergency escape windows in bedrooms, smoke and CO detectors, and ingress/egress paths of travel for a fee determined by the current Building Code as adopted by the Board of County Commissioners on the initiation of an application for a Short-Term Rental Permit. Subsequent renewals at two (2) year intervals will only require an affidavit signed by the applicant that the unit complies with all safety standards as listed in this Section.

IX. Dwellings shall be equipped with operable smoke alarms and carbon monoxide alarms pursuant to State Statute (HB 091091) and the County's current adopted building code. Dwellings must contain an operable fire extinguisher in proximity to the kitchen.

X. Parking Requirement: One (1) space per bedroom located on the subject property.

XI. Dwellings shall have adequate trash containers sufficient to serve the guests. All trash containers must be in a bear proof enclosed structure such as a garage, barn, shed or a container designed to be bear-proof per LUC Section 5-407 A.X.

XII. The property owner/manager shall provide each rental guest with a copy of "Being a Good Neighbor" and shall provide the County and the guest with the name, address and contact information, including a 24-hour contact telephone number of a current local contact person.

XIII. The property owner shall notify each adjacent property owner in writing of the name and contact information for the 24-hour local contact and shall do the same notification when local contact information changes.

XIV. It is the property owner's responsibility to determine whether there are private declarations and covenants within their subdivision that prohibits or further restricts the Short-Term Rental of residences.

XV. The County Permit authorizes Short-Term Rental of a Primary Residence but the County is not responsible for the Short-Term Rental. Any concerns a renter has should be addressed to the local contact person or property owner.

5-3001 C. Revocation of County Permit

Any short term rental permit that the county issues pursuant to LUC Section 5-3001 B. shall constitute a Development Permit for purposes of LUC Section 1-301 and shall be subject to revocation in accordance with LUC Section 3-101 for a permittee's failure to comply with any of the terms and/or conditions of the permit's approval, as well as any applicable LUC provisions, including, but not limited to LUC Section 5-3001 B. Standards.